Revenue Canada Customs and Excise | Revenu Canada Douanes et Accise

GST GOODS AND SERVICES TAX

SHOULD I REGISTER?

INFORMATION FOR NON-RESIDENTS

Canada

RNR 1

Bill C-62, the proposed legislation on the Goods and Services Tax, received third reading and was passed by the House of Commons on April 10, 1990. Although this Bill has not yet received Royal Assent, Revenue Canada would like to help businesses and organizations prepare for the tax. Accordingly, while you are under no legal obligation to do so at this time, you are encouraged to pre-register by filling in the enclosed "Goods and Services Tax Registration Form".

Printed under the authority of the Honourable Otto Jelinek, Minister of National Revenue.

La présente brochure sur la TPS est également disponible en français sous le titre DOIS-JE M'INSCRIRE?, Renseignements à l'intention des non-résidents.

A Message to Non-Resident Businesses and Organizations

The Goods and Services Tax (GST) now before Parliament will, on passage by Parliament, replace the federal sales tax in Canada. It will require most businesses and organizations that are non-resident and carry on a business in Canada to register.

My department, Revenue Canada, Customs and Excise, will be responsible for administering the proposed GST. Our aim is to ensure that businesses and organizations understand the proposed tax, are aware of the assistance available to them and are able to adapt to the changes, should they come into force on January 1, 1991.

This information pamphlet and registration form were prepared with the assistance of Canada's business community. It has always been my view, as a former small businessman, that those affected by change in government policy should play a key role in the consultation process.

Receipt of your completed registration form will allow us to provide you with additional information on some important features of the proposed tax, such as the federal sales tax rebate on inventory, input tax credits, the transitional credit for small business, and flexibility in GST filing requirements.

If you require assistance or have any questions, please contact the Revenue Canada Excise office responsible for your area. Addresses and telephone numbers of Revenue Canada Excise offices are listed on the back cover of this pamphlet.

Otto Jelinek
Minister

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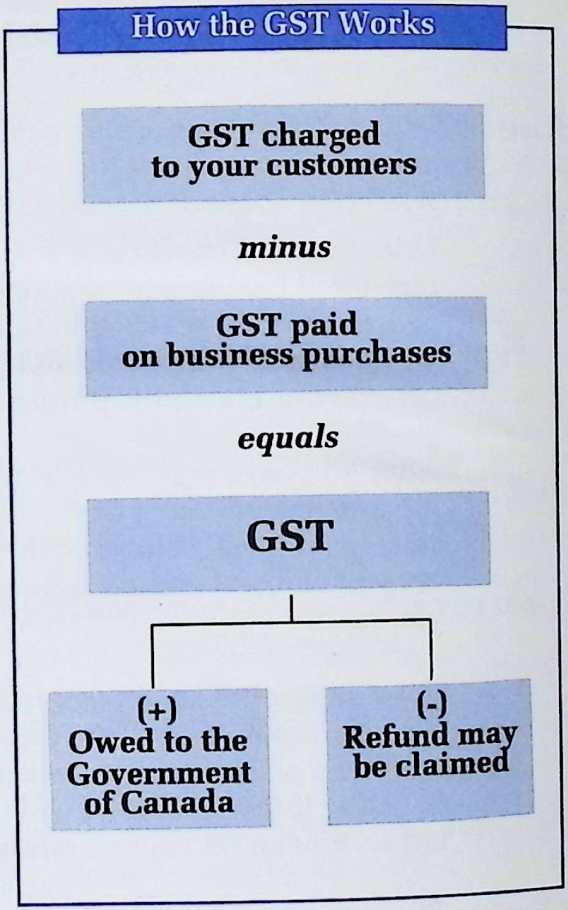
GST Part of the Canadian Government's Plan For Tax Reform

As part of tax reform, the Canadian government has introduced legislation to replace the current Federal Sales Tax with the Goods and Services Tax (GST) on January 1, 1991.

For those businesses and organizations that did not receive a personalized form in the mail and would like to prepare, Revenue Canada, Customs and Excise, is providing this pamphlet, which briefly explains the registration procedures for the proposed tax. If you received a "SHOULD I REGISTER?" booklet and form in the mail, please ensure that you return your personalized form, included in this package; not the one in this pamphlet.



When Will the GST Come Into Effect?

Implementation is planned for January 1, 1991.

Should I Register?

Under the proposed legislation, you **MUST** register for the the GST if:

- you carry on any business in Canada and your annual sales and revenues of GST-taxable goods and services, on a world-wide basis, exceed $30,000 (Cdn.), or
- the only business carried on by you in Canada consists of selling or providing, directly to spectators or attendees, admissions to a place of amusement, a seminar, an activity or an event.

What are GST-taxable Goods and Services?

The majority of goods and services sold or provided in Canada would be taxable under the GST. Only a limited number would be tax-exempt; for example, day care, most health and dental services, and certain activities carried on by charities and non-profit organizations.

(See the list of GST-exempt goods and services on page 10.)

GST-taxable goods and services would be taxed at either seven per cent or zero per cent (known as zero-rated). It is proposed that zero-rated goods and services include the following items:

- basic groceries
- prescription drugs and medical devices
- most farm produce
- most major farm and fishing purchases
- most farm livestock
- fresh-caught fish and seafood products, for human consumption
- exports

Any GST-taxable goods and services not zero-rated would be taxed at seven per cent.

So, if you carry on any business in Canada and sell or provide GST-taxable goods and services totalling more than $30,000 (Cdn.) annually, on a world-wide

basis, or if the only business carried on by you in Canada consists of selling or providing, directly to spectators or attendees, admissions to a place of amusement, a seminar, an activity or an event, you would need to register.

Calculating Your GST-taxable Sales and Revenues

Your calculation of total GST-taxable sales and revenues would have to include your sales of zero-rated goods and services. Remember to include in your calculation, charges you made for services such as labour, repairs and warranties.

Also, the sales and revenues from all associated companies would have to be included in your calculation.

Only by registering would you be able to recover the GST you paid on business purchases that you make in the course of bringing your taxable product or service to market.

Registered non-resident vendors or lessors of taxable land or buildings in Canada would:

- charge the GST on sales and revenues made in Canada
- receive a credit for the GST paid on goods for resale, advertising, electricity, office supplies, etc.

Registered non-residents presenting a financial planning seminar would:

- charge the GST on the price of admission to the seminar
- receive a credit for any GST paid on business purchases

Under the proposed legislation, you need **NOT** register for and collect the GST if

- you sell or provide **ONLY** GST-exempt goods or services, or
- your annual GST-taxable sales and revenues, on a world-wide basis, are $30,000 (Cdn.) or less.

Important: This exclusion does not apply to a non-resident whose only business carried on in Canada consists of selling or providing, directly to spectators or attendees, admissions to a place of amusement, a seminar, an activity or an event. In such a case, the non-resident business or organization must apply to be registered before it starts selling or providing the admissions.

You may voluntarily register if your annual GST-taxable sales and revenues, on a world-wide basis, are $30,000 (Cdn.) or less. By registering, you will be able to recover any GST you paid on business purchases, and your GST-registered customers will be able to claim credits as well.

Keep in mind that under the proposed legislation you will be required to register once your annual GST-taxable sales and revenues, on a world-wide basis, exceed $30,000 (Cdn.).

What are GST-exempt Goods and Services?

The following are proposed to be GST-exempt:

- long-term residential rents
- sales of used housing
- day-care services
- financial services

The following are proposed to be GST-exempt in certain circumstances:

- health and dental services
- legal aid services
- educational services
- activities by charities and non-profit organizations

- services by governments and other specified public bodies

Universities and public colleges

- GST-exempt – fees for instruction in courses leading to certificates or diplomas
- GST-taxable – charges for parking on campus

Charities and non-profit organizations

- GST-exempt – recreational programs for children and disabled individuals, and the provision of food, drink or accommodation for the relief of poverty, suffering or distress
- GST-taxable – catering services provided for a fee

If all your activities are GST-exempt, you would not be required to register.

However, you would have to register:

- if you are involved in both GST-taxable and exempt activities, and your annual GST-taxable sales and revenues, on a world-wide basis, exceed $30,000 (Cdn.), or
- if the only business carried on by you in Canada consists of selling or providing, directly to spectators or attendees, admission to a place of amusement, a seminar, an activity or an event, you would have to register.

The GST would not apply when you sell or provide GST-exempt items. Nor would you be entitled to claim a credit or refund for any GST paid on business purchases you make in the course of bringing your exempt product or service to market.

Special Rules

Partnerships and companies: Under the proposed legislation, companies and partnerships will have to register for the GST on an entity basis. In other words, **individual partners cannot register separately** for the GST. Likewise, a company's **branches and divisions cannot register separately**. In addition, partnerships and companies must register based on their total annual GST-taxable sales and revenues.

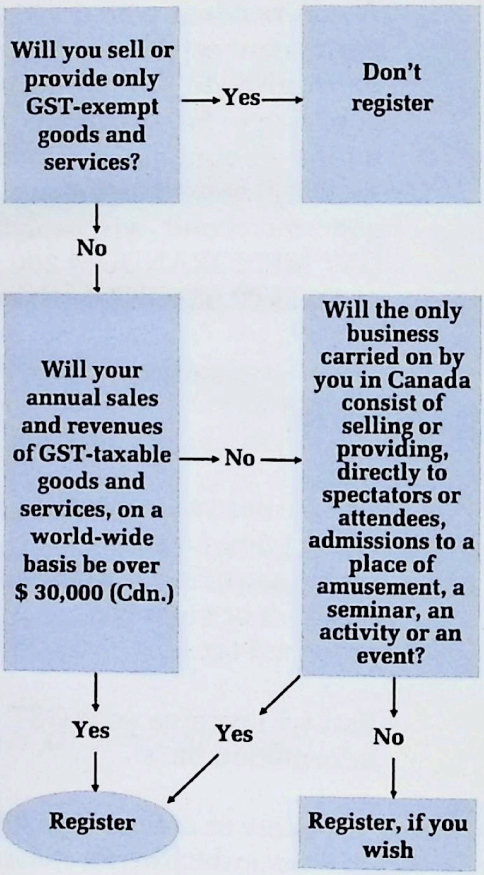
Charities, non-profit organizations, public colleges, universities, school boards and hospitals conducting GST-taxable activities: For the most part, these organizations will be treated in the same way as businesses; if their annual GST-taxable sales and revenues, on a world-wide basis, are over $30,000 (Cdn.), they must register. However, unlike businesses, these organizations may apply to have the branches or divisions treated separately in calculating this $30,000 (Cdn.) threshold.

If you need any help in applying these special rules, contact the Revenue Canada Excise office responsible for your area.

Your Registration Decision Chart

The following chart will help you decide whether or not to register, or if you qualify for optional registration.

Registration Decision Chart



Security Requirement

A non-resident who does not have a permanent establishment in Canada will be required to provide security when applying to be registered. Information on the amount and acceptable types of security, as well as a sample form for a guarantee bond, will be available in the GST MEMORANDUM 200 series, "**REGISTRATION**".

Prepare Early!

The earlier you submit the GST registration form, the sooner we will send you important information to help your business or organization plan for the proposed tax.

You will receive your GST number and information on:

- how to collect the GST, keep records, file returns, etc.;
- how to obtain a credit for the GST paid on goods and services you buy to do business in Canada;

- how to obtain a rebate on the Federal Sales Tax included in your inventory for resale as of January 1, 1991;
- how to receive a start-up credit for administering the GST if you are a small business; and
- what options are available to simplify GST procedures.

Fill in the GST registration form and return the "mail-in" copy to the Revenue Canada Excise office responsible for your area. A "working" copy and instructions for completing the form are included in this pamphlet, for your records.

If you are not sure whether to register, contact a Revenue Canada Excise office for assistance.

Some Benefits of Registration

If you are a registrant when the proposed GST takes effect, you will be eligible for the following benefits.

Input Tax Credits: You will be able to claim a credit for the GST paid on your business purchases, including imports. If your credits amount to more than the GST owed to the Government of Canada, you may claim a refund for the difference.

Federal Sales Tax Rebate: To avoid taxing the same goods twice, a one-time rebate of the Federal Sales Tax included in your inventory of goods for resale on January 1, 1991, will be provided.

Small Business Credit: Small businesses that are required to register will be entitled to a one-time start-up credit of up to $1,000 (Cdn.) to ease the transition to the new system. The credit will be available to registered businesses and organizations with GST-taxable sales and revenues, on a world-wide basis, of under $500,000 (Cdn.), during any three-month period beginning in 1990 or in their first fiscal quarter of 1991.

GST credits for your customers: It is important that you be registered so that your GST registration number can be shown on your invoices. Your GST-registered customers will then be able to claim their own tax credits.

What Assistance Can I Get?

If you need assistance in filling out the GST registration form, Revenue Canada Excise officials across Canada will be pleased to explain registration and other GST matters to you. Extra forms are available from any Revenue Canada Excise office or Canadian post office.

We will be helping businesses and organizations prepare for the proposed GST through seminars, on-site visits and toll-free telephone information services.

Please refer to the attached list to determine which Revenue Canada Excise office to contact for more information. You will find the addresses and telephone numbers of all Revenue Canada Excise offices listed on the back cover of this pamphlet.

Note: If you are outside of Canada and need more information on the proposed GST, contact the nearest Canadian Trade Commissioner.